

Message Text

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16

ACTION EA-14

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COME-00 DODE-00 EB-11 FEA-02 FPC-01 H-03 INR-10

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 SS-20 STR-08 TRSE-00 PA-04 PRS-01

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FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC 7956

INFO AMEMBASSY CANBERRA

UNCLAS WELLINGTON 1248

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TAGS: ENRG NZ

SUBJ: GASOLINE PRICES RAISED AGAIN

REF: WELLINGTON 223 AND 226

1. AS OF MIDNIGHT APRIL 18 NEW INCREASES IN GASOLINE, DIESEL AND FUEL OIL PRICES BECAME EFFECTIVE. PREMIUM GASOLINE ROSE US 11.4 CENTS PER US GALLON, TO US 83.3 CENTS, REGULAR US 11.4 CENTS PER US GALLON TO US 77.7 CENTS, DIESEL FUEL US 14.98 CENTS PER US GALLON TO US 52.5 CENTS, AND FUEL OIL US 8.7 CENTS PER U.S. GALLON TO US 31.7 CENTS (NZ DOLS 1.00 EQUALS US DOLS 1.47).

2. THE LATEST DIESEL INCREASE WAS GREATER THAN THE GASOLINE INCREASE.

3. INCLUDING THE JANUARY 25 INCREASE PREMIUM GASOLINE PRICES HAVE JUMPED 41.7 PER CENT, REGULAR 44.4 PERCENT, DIESEL 106.5 PER CENT AND FUEL OIL 120 PERCENT.

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4. REASON GIVEN WAS GREATLY INCREASED CRUDE COSTS. MINISTER OF TRADE AND INDUSTRY, IN ANNOUNCING INCREASES, SOFTENED BLOW BY SAYING THAT BECAUSE OF THE IMPROVED SUPPLY, INDUSTRY, AND AGRICULTURE WILL BE ABLE OBTAIN THEIR NORMAL REQUIREMENTS. THE 15 PERCENT REDUCTION IN CONSUMPTION BELOW LAST YEAR OF HOME HEATING OILS WILL BE LIFTED.

5. THE MINISTER STRESSED THAT INCREASES DID NOT GIVE ANY INCREASES IN PROFIT MARGINS OF THE OIL IMPORTERS, WHOLESALERS OR RETAILERS.

6. TO FURTHER ASSUAGE THE NEW ZEALAND MOTORIST AT THE STEEP RISE IN FUEL COSTS THE ANNOUNCEMENT POINTED OUT THAT HE WAS STILL BETTER OFF THAN THOSE IN MOST COUNTRIES AND GAVE FIGURES ON PRICE INCREASES IN SEVERAL COUNTRIES OF EUROPE.

7. AT TIME OF THE LAST INCREASE THERE WERE CHARGES THAT OIL COMPANIES WERE PROFITING FROM THE INCREASES, A SUSPICION WHICH THE GOVERNMENT MAY HAVE BEEN IN PART RESPONSIBLE FOR ENGENDERING THROUGH STATEMENTS TENDING TO PUT OIL COMPANIES TO BLAME FOR OIL SHORTAGES IN NEW ZEALAND. THERE HAS BEEN AN EASING OFF OF SUCH INFERENCES RECENTLY. BUT THERE HAS BEEN A SOFTENING UP PERIOD WHEREBY THE GOVERNMENT HAS DROPPED HINTS OF PENDING NEW INCREASES, BUT NOT TO BE UNTIL AFTER EASTER. TO SWEETEN THE PILL THE BAN ON WEEKEND GASOLINE SALES WAS LIFTED FOR EASTER.

8. ONE OUTGROWTH OF THE SQUEEZE ON THE OIL IMPORTERS AND WHOLESALERS HAS BEEN A TIGHTENING UP ON DELAY PAYMENT ACCOUNTS OF THE RETAILERS. THIS HAS BURST INTO THE PRESS ON OCCASION WITH RETAILERS CHARGING UNFAIR PRACTICES BY WHOLESALERS. THIS ACTION BY WHOLESALERS TO KEEP RETAILERS ACCOUNTS MORE CURRENT, COUPLED WITH THE CURTAILMENT ON WEEKEND GASOLINE SALES HAS CUT INTO THE PROFITS OF RETAILERS. WITH NO ALLOWANCE IN THE LATEST PRICE INCREASES FOR GREATER PROFIT MARGINS FOR RETAILERS SOME CLAIM THEY

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MAY HAVE TO GO OUT OF BUSINESS.

9. IN A BROADER VEIN, THE MINISTER OF FINANCE, IN CONNECTION WITH HIS BUDGET PREPARATIONS HAS ASKED THE MONETARY AND ECONOMIC COUNCIL TO GIVE HIM A REPORT BY THE END OF APRIL ON THE ECONOMIC ASPECTS OF THE OIL SITUATION.

10. RECENT PUBLIC STATEMENTS BY THE MINISTER
HAVE PUT THE ESTIMATED DIRECT FOREIGN EXCHANGE COSTS
TO NEW ZEALAND FOR OIL IMPORTS NOW AT 200 MILLION NZ
DOLLARS PER ANNUM.

11. ESTIMATED INDIRECT COSTS SUCH AS TRANSPORT,
HIGHER IMPORT COSTS, ETC., COULD DOUBLE THIS FIGURE.

12. WITH RECENT INCREASES IN IMPORT PAYMENTS AND
A DROP IN THE PRICES FOR NZ'S PRINCIPAL EXPORTS THE
IMPACT ON FOREIGN EXCHANGE RESERVES OF HIGHER OIL
IMPORT COSTS CAN BE CRITICAL FOR THE SUCCESS OF
THE GOVERNMENTS "GROWTH STRATEGY" BY WHICH IT EXPECTS
TO PAY FOR INCREASED SOCIAL BENEFITS TO BE INCLUDED
IN THE NEXT BUDGET.

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